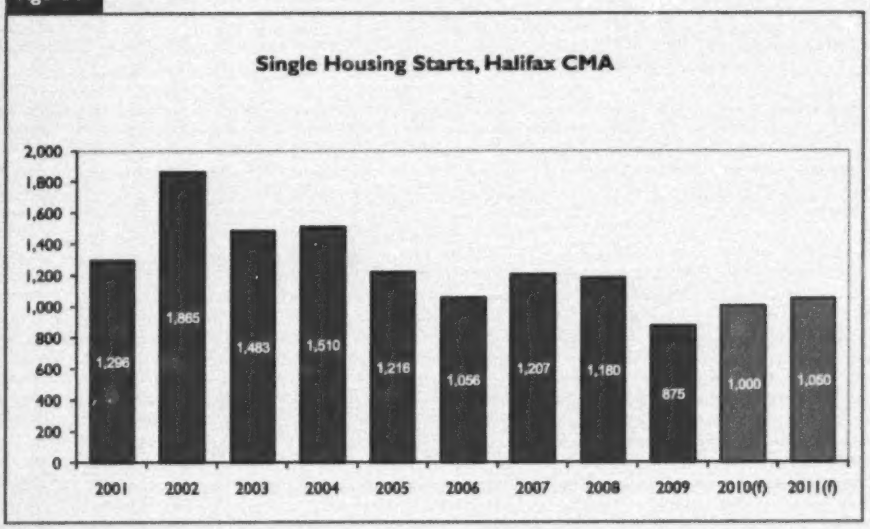
Figure 2



Source and Forecast: CMHC

employment, near record wages and increased levels of new migrants to the city.

In 2009, there were more people working in Halifax than ever before and their average weekly earnings were also at record highs. Average employment levels were up approximately three per cent in 2009 while wages were up approximately six per cent. In 2010, employment and wage levels are expected to show modest growth.

Employment is being supported by the construction industry, finance, insurance and real estate and the public sector. The overall services industry has seen nearly three per cent growth in the past year while large construction projects and large military contracts have contributed to strength elsewhere. Areas experiencing weakness are the manufacturing and primary goods sectors which will continue to be impacted by reduced demand for exports and the strong Canadian dollar.

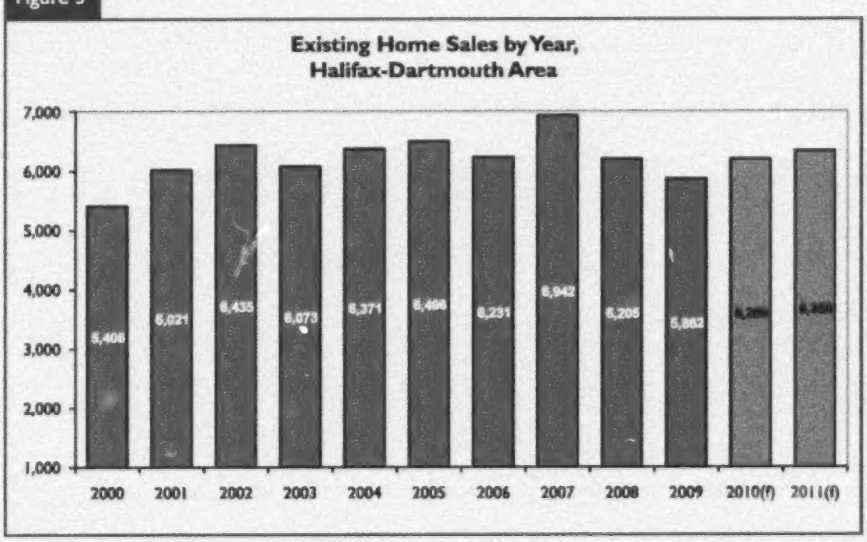
After climbing approximately six per cent in 2009, average weekly earnings are expected to remain strong in 2010. The average wage in 2009 reached over $39,000 for the first time in Halifax.

Mortgage Rates

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead, we expect that short-term interest rates will begin to rise in the second half of 2010.

With the Overnight Rate expected to increase in the coming months, mortgage rates have begun to rise. According to CMHC's base case scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 5.0-6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Figure 3



Source: Nova Scotia Association of REALTORS® & CREA
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Forecast: CMHC

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

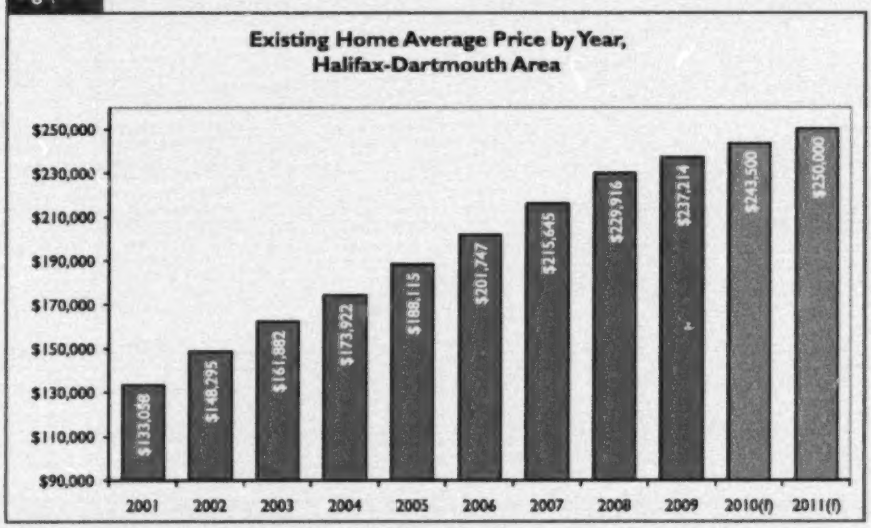
New Home Construction to Rebound in 2010

New home construction in Halifax will rebound by 22 per cent in 2010 as an economic recovery continues to take hold. This level of activity follows a decline of 16 per cent in 2008 and 17 per cent in 2009. Expect single-detached starts to climb 14 per cent this year and a further five per cent in 2011. In the multi-residential segment, starts are forecast to rise 30 per cent in 2010 and another ten per cent in 2011.

New construction remained weak in the first half of 2009 before beginning to recover in the second half. Housing starts were off more than 40 per cent compared to 2008 at the mid-point of the year, but saw strength from August to December that brought the annual decline down to 17 per cent.

Single starts saw some weakness in the early part of 2009 but regained momentum slowly through the second half of the year. While the economic weakness in 2009 contributed to reduced demand for housing, the downward trend for single-detached housing did not begin with the economic downturn. Single starts have been trending consistently downward since the peak of construction activity in 2002. The 875 single starts in 2009 and the forecast of 1,000 and 1,050 in 2010 and 2011 respectively, are the lowest levels since 1991. They are not, however, very far below the most recent low of 1,056 single starts recorded in 2006.

Figure 4



Source: Nova Scotia Association of REALTORS® & CREA
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Forecast: CMHC

The average selling price of a new single-detached home was approximately $335,000 in 2009 – an increase of less than two per cent compared to 2008. In 2009, new singles priced above $300,000 represented 53 per cent of the overall market; in 2008, that figure was just 48 per cent. New home prices are expected to continue to rise in 2010 and 2011 at a modest pace similar to 2009.

Semi-detached and row houses continue to be popular in Halifax. After declining just 6.5 per cent in 2009 (compared to 26 per cent for singles), expect semis and rows to see growth in 2010 and 2011 of approximately four per cent.

After considerable weakness early in 2009, the fall building season saw a large number of new apartment units start construction and support the overall starts figures. In late 2008 and early 2009 builders and investors took a "wait-and-see" approach to the market and delayed the start of various projects. Toward the end of 2009, builders and investors began to proceed with caution which will add support to a positive outlook in 2010 and 2011.

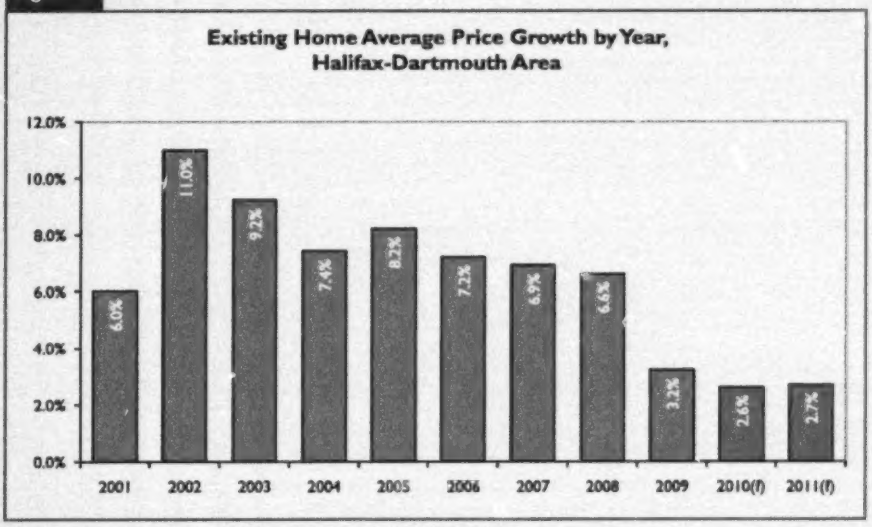
After starting just 599 new apartment-style units in 2009, it is expected that the industry will see a sharp increase to 850 units in 2010 and 950 units in 2011. While these represent 42 and 12 per cent increases, respectively, the number of additional units represents only three to five additional apartment-style buildings.

As projects move ahead over the forecast period, the demand for construction labour and skilled trades will begin to intensify. In addition to the residential construction forecasted, there are other commercial and retail construction projects in the city that also will contribute to increased demand for labour.

Generally, economic conditions are supportive of housing demand in Halifax. Record employment, wages and positive migration are expected

Figure 5

Existing Home Average Price Growth by Year, Halifax-Dartmouth Area



Source: Nova Scotia Association of REALTORS® & CREA
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to result in increased demand for new housing units in the forecast period.

Existing Home Sales to Increase in 2010

Existing home sales in Halifax will rebound in 2010 and into 2011. MLS® sales are expected to increase almost six per cent in 2010 and a further 2.4 per cent in 2011. Average home prices will continue to rise, reaching approximately $243,500 in 2010 and will increase to $250,000 in 2011.

A rebound in MLS® sales in 2010 was preceded by two consecutive years of reduced sales activity. Economic weakness in the latter part of 2008 and into 2009 resulted in reduced sales activity in the existing homes market. MLS® sales declined more than ten per cent in 2008 and an additional 5.5 per cent in 2009. The declines, however, have not been even throughout the year. In the first five months of 2009 existing home sales were down 24 per cent on a year to date basis. However, sales in the fourth quarter of 2009 were quite strong as they increased 32 per cent compared to the fourth quarter of 2008.

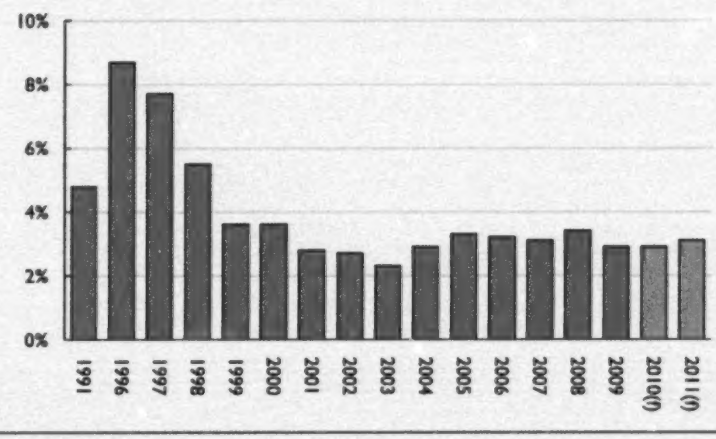
Potential home buyers took advantage of favorable market conditions and as a result sales began to climb in the latter portion of 2009 and into 2010. It is expected that consumers will continue to take advantage of favorable market conditions and as a result sales will continue to rise in 2010 and 2011.

The number of homes that were listed for sale as of March 2010 was four per cent lower than March of last year. Active listings however, are nearly 17 per cent lower than last year which is indicative of a higher level of sales activity. Expect new listings to continue to remain substantially unchanged in 2010.

Existing home sales will remain below the record level set in 2007 when sales reached nearly 7,000 in the HRM. Sales are expected to exceed 6,000 in 2010 and 6,300 in 2011. Though demand will increase in 2010 and 2011, price growth will be more moderate than in recent years. From 1999 to 2009 the average price of an existing home increased on average seven per cent per year. Over the current forecast period expect price growth of approximately 2.5 to three per cent in 2010 and 2011 as sales increase following the economic recovery.

Figure 6

Average Rental Apartment Vacancy Rate, Halifax CMA



Source and Forecast: CMHC

Recent market forces have combined to create an existing homes market which is trending from buyer's conditions to more balanced conditions. The combination of employment and wages at or near record highs, positive net migration and very low interest rates will continue to support demand amongst buyers, while a decline in active listings and a rebound in sales activity will benefit sellers. Modest price growth along with an increase in sales and a decline in listings have shifted the market from one which favors buyers to one which offers more balanced conditions.

Vacancy Rates to Remain Unchanged in 2010

Vacancy rates increased in 2008 due to increased supply and declined in 2009 due to increased demand. Expect vacancy rates to see little change in 2010 before rising slightly in 2011. In 2010, the vacancy rate will see offsetting factors at play. The potential for rising vacancy rates due to increased supply from current projects reaching completion will be offset by demand generated from positive migration and strong employment. In 2011, a further increase in the supply of new apartments will push the vacancy rate over three per cent as some demand shifts away from rental units towards homeownership.

Average rents are expected to continue to see growth, increasing approximately two per cent in both 2010 and 2011 to $900 and $920 per month, respectively, for a two-bedroom apartment.

In 2008, there was a very large number of new rental apartment projects that completed construction and were added to the rental universe. This increased supply was due to the high levels of new projects that started construction in 2006 and 2007 and resulted in rising vacancy rates in 2008.

In 2009, the number of new apartments entering the rental market kept pace with 2008 levels in the first half of the year. In the second half, completions were down significantly and resulted in an annual decline of 25 per cent compared to 2008. The decline in supply in the latter part of 2009, combined with strong demand for rental units, pushed the vacancy rate down and will continue to exert downward pressure on the vacancy rate in 2010.

Demand for rental units was strong in 2009 and is expected to remain strong in 2010. Positive migration patterns, record levels of employment and record wages are supportive of demand for all types of housing. In the recent economic downturn, however, demand for new and existing homes in the ownership segment has been subdued. The result being that potential homebuyers have been staying in rental accommodations longer, thus supporting the overall demand seen in the rental market.

Slow growth in rental-unit supply coupled with stable demand for rental units will largely offset each other and result in unchanged vacancy rates in the HRM in 2010. As the economic recovery takes hold, the market will see an increase in demand for rental units. However, at the same time, the ownership segment of the market will also see an increase in demand as some current renters begin to explore the homeownership market. This, in turn, will affect the demand for rental and exert some upward pressure on vacancy rates in 2011.

The relative affordability of the Halifax rental market continues to make rental units a very attractive alternative as average rents have been rising more slowly than average income levels. The result has been that the rental market in Halifax continues to offer value to renters and that demand for rental units has remained and will remain strong. For this reason, the Halifax rental market will continue to offer significant competition for the condominium market and for other forms of entry level housing.

Forecast Summary Halifax CMA Spring 2010	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	6,945	6,205	5,862	6,200	5.8	6,350	2.4
MLS® New Listings	10,247	10,710	10,516	10,700	1.7	10,800	0.9
MLS® Average Price ($)	215,668	229,916	237,214	243,500	2.6	250,000	2.7
New Home Market							
Starts:							
Single-Detached	1,207	1,180	875	1,000	14.3	1,050	5.0
Multiples	1,282	916	858	1,120	30.5	1,230	9.8
Semi-Detached	166	108	118	120	1.7	130	8.3
Row/Townhouse	147	169	141	150	6.4	150	0.0
Apartments	969	639	599	850	41.9	950	11.8
Starts - Total	2,489	2,096	1,733	2,120	22.3	2,280	7.5
Average Price ($):							
Single-Detached	332,821	329,765	335,070	339,000	1.2	344,000	1.5
Median Price ($):							
Single-Detached	305,000	299,900	311,400	315,000	1.2	319,000	1.3
New Housing Price Index (% chg.)	5.8	7.9	1.1	1.2	-	1.5	-
Rental Market							
October Vacancy Rate (%)	3.1	3.4	2.9	2.9	0.0	3.1	0.2
Two-bedroom Average Rent (October) ($)	815	833	877	900	-	920	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	0.20	5.56	1.34
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	0.57	7.06	0.86
Annual Employment Level	208,400	209,400	215,600	217,500	0.9	219,500	0.9
Employment Growth (%)	1.8	0.5	3.0	0.9	-	0.9	-
Unemployment rate (%)	5.3	5.2	6.4	6.4	-	6.2	-
Net Migration [1]	3,173	3,920	1,800	2,000	11.1	2,200	10.0

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Nova Scotia Association of REALTORS®, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2009 migration data is forecasted

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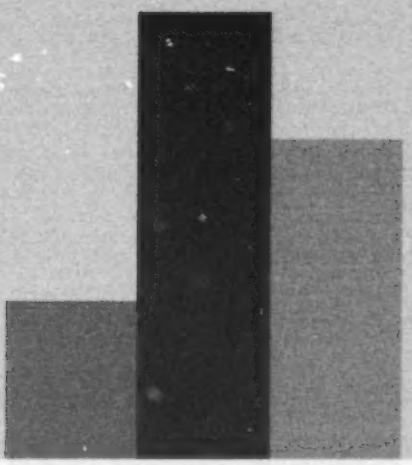

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